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TAGS: ENRG PGOV ECON SENV CO
SUBJECT: COLOMBIA MANDATES FLEX FUEL VEHICLES DESPITE SKEPTICISM

¶1. (SBU) SUMMARY: Under a new government decree, local automakers and importers will be required to sell only flex-fuel vehicles capable of running on any mixture of gasoline and ethanol up to 85 percent ethanol (E85). The decree phases in the requirement for new small vehicles beginning in 2012 and expands to larger vehicles in 2013, but does not apply to existing cars or those running on diesel. The mandate follows an aggressive multi-year effort to develop a vibrant domestic biofuels market intended to invigorate agricultural employment and reduce carbon emissions. Nevertheless, local automakers and dealers, as well as biofuels producers, are skeptical the flex-fuel vehicle mandate or the required biofuels production increase are feasible in the near-term. END SUMMARY.

Flex-Fuel Coming to a Dealer Near You

¶2. (U) With fuel blending mandates of 10 percent ethanol already in place and plans to increase the mandate to 20 percent by 2015, the GOC has taken the further step of requiring the phase-in of flex-fuel technology in all new gasoline-fueled vehicles starting in 2012. The requirement begins with 60 percent of small cars (2000 cubic centimeters engine displacement or less) in 2012 and extend to larger passenger vehicles the following year. By 2016, all new passenger vehicles manufactured or imported into Colombia must incorporate flex-fuel technology. According to Decree 1135, the technology must allow the vehicle to run on any blend up to 85 percent ethanol and the remainder gasoline. The decree also commits the Ministry of Mines and Energy to publish the necessary technical standards for E85 production, distribution, and storage by January 1, 2011.

Critics: Too Much of a Good Thing?

¶3. (SBU) The GOC's high-profile biofuels program has generally received widespread support from the industrial and agricultural sector over the last eight years. However, automobile manufacturers, importers, and biofuels producers have expressed significant skepticism regarding the latest move. Although flex-fuel technology has been adopted in larger markets such as Brazil, representatives of several auto import companies (e.g. BMW, Audi, Porsche) have complained publicly that the flex-fuel requirement cannot be cost-effectively implemented in Colombia by 2012 and would therefore block their imports. Santiago de Francisco, Vice President of GM Colombia, the largest local car producer in Colombia, told us that his company does not oppose the GOC's

flex-fuel goal but said the GOC should have consulted automakers to ensure the feasibility of meeting the 2012 deadline.

Biofuel Supply Uncertain

¶4. (SBU) Jorge Bendeck, President of Colombia's Federation of Biofuels Producers, told us he also doubted that Colombian ethanol producers could meet the supply requirements for E85 by 2012. Bendeck cited the sector's difficulty so far in meeting the current E10 mandate in some parts of the country and estimated that widespread use of E85 would require 400,000 new hectares of sugarcane production and 35 new distilleries. (NOTE: Colombia currently has five ethanol distilleries in operation. END NOTE.). He also noted that Colombia does not have the storage or distribution facilities in place to handle blends up to E85. Nevertheless, Ministry of Mines and Energy Hydrocarbons Director Julio Cesar Vera affirmed the GOC's intention to proceed with the new requirements and noted that Decree 1135 leaves room for expanding the E85 mandate to motorcycles and other gasoline-engine equipment in the future.
BROWNFIELD